

I. INTRODUCTION.

This chapter explains the various reports you must submit regarding your CDBG grant, Program Income (PI), and/or Revolving Loan Account (RLA) activities.

II. GRANTEE RESPONSIBILITIES.

You are responsible for monitoring all grant-supported activities to assure that time schedules are being met and milestones accomplished. You are also required to annually report on your PI and RLA activities (see D. and E. below). Failure to meet reporting requirements may at a minimum affect your rating on future CDBG funding applications, and may preclude you from applying.

This section gives instructions for completing the required periodic performance reports (included in Section VI, "Supporting Materials"). Note that the due dates given are the dates by which the Department should receive the reports.

- A. Financial & Accomplishment Report (entire report due quarterly and at closeout)
 - 1. Section I – Cash Status (see Chapter 9) and Accrued Expenditures & Milestones
 - 2. Section II – Expenditure of Match/Leverage & Program Income
 - 3. Section III - Residential Rehabilitation Loan Account (if applicable)
 - 4. Section IV – Interest Revenue Earned on Advances (if applicable)
 - 5. Section V – Lump Sum Drawdown (if applicable)
 - 6. Section VI – Comments
 - 7. Accomplishment Report – Narrative Accomplishments
- B. Returned Funds Form
- C. Closeout Certification Form
- D. Economic Development Progress Report (semi-annual, due by 4/30 and 10/31)
- E. Wage Compliance Reports
 - 1. Semi-annual (due by 4/30 and 10/31)
 - 2. Final (due 30 days after construction completed)
- F. Program Income Reports
 - 1. Quarterly (due by 1/31, 4/30, 10/31)
 - 2. Annual (due by 8/15)

- G. Grantee Performance Report (annual, due by 8/15)
- H. Section 3 Report (annual, due by 8/15)

A. Financial & Accomplishment Report (FAR)

When To Submit: For each open grant, you must prepare and submit a FAR quarterly, or more frequently if required by the Department. The quarterly reporting periods and due dates are as follows:

FAR Report Period	Date Due to the Department
July 1 through September 30	October 31
October 1 through December 31	January 31
January 1 through March 31	April 30
April 1 through June 30	**August 15
Final Cash Request	Within 45 days of the grant expiration date
Final FAR	Within 90 days of the grant expiration date

****Note:** Additional 15 days it given to complete/submit this report because all annual grant reports are also due on this date.

Instructions For Completing:

The State CDBG Financial & Accomplishment Report (FAR) is the document used to report the status of CDBG funds requested, report **accrued** expenditures, report the expenditures of funds received from other sources, report narrative accomplishments, report the status of lump sum draw downs, report the balance of funds requested for residential rehabilitation loans, and report the amount of interest revenue earned on CDBG advances.

Grantees shall complete **Sections I through VI** of the FAR and submit it **quarterly** to the Department.

The FAR is due within 30 days after the end of each quarter. The 30 day requirement is contained in the State CDBG regulations. However, the State suggests that jurisdictions

submit the FAR as soon as possible after the end of the report period in order to ensure there are sufficient funds available to meet cash needs.

SUBMISSION OF THE CDBG FINANCIAL AND ACCOMPLISHMENT REPORT

An original and two (2) copies of the CDBG Financial and Accomplishment Report should be sent to:

Department of Housing and Community Development
Community Development Block Grant Program
Attn: Fiscal Unit
2710 Gateway Oaks Drive
North Building, Suite 190
Sacramento, California 95833

RETURN OF CDBG FUNDS AND INTEREST REVENUE

Federal regulation 24 CFR 570.489(c)(1) requires local grantees to “use procedures to minimize the time elapsing between the transfer of funds by the State (to the grantee) and disbursement for CDBG activities.”

When cash-on-hand exceeds \$5,000, and the excess cannot be justified (that is, it will not be expended within a reasonable time period), you must return the excess to the Department.

Federal regulations also require the return of interest revenue earned on CDBG advances. The interest revenue must be returned to the Department at least quarterly, except interest earned on the lump sum account. **Interest earned on the lump sum account is considered program income** and is retained in the lump sum draw down account for the term of the grant. Any unused grant funds held by a grantee must also be returned to the Department when the grant expires.

Submit a check payable to the Department of Housing and Community Development and mail to:

Department of Housing and Community Development
Administration & Management Division
Accounting Office Branch, Cashier
Post Office Box 952050
Sacramento, CA 94252-2050

Complete the cover letter found on Attachment A. Send a copy of the warrant and cover letter to the CDBG fiscal unit at:

Department of Housing and Community Development
Division of Community Affairs/State CDBG Program

Attn: Fiscal Unit
2710 Gateway Oaks Drive
North Building, Suite 190
Sacramento, California 95833

PREDESCRIBED CONDITIONS

Your CDBG contract will contain conditions that must be met prior to your incurring administrative and/or program activity costs, and prior to drawing down CDBG funds. For example, most grantees may incur general administrative costs from the effective date of the contract but may not incur costs or expend funds for program activities until they fulfill the environmental review requirements and any special conditions of the contract.

Review your contract to determine which special conditions must be met prior to incurring program activity costs to be paid with CDBG funds. Once the Department has confirmed in writing that you have met the conditions, you may incur program activity costs.

Remember that no costs incurred prior to the effective date of your CDBG contract may be charged to CDBG unless you have special written permission from the Department. Once the contract is signed by the State, eligible expenditures may be incurred and expended against the grant subject to the contract terms.

INSTRUCTIONS FOR HEADING

Grantee, address, and phone number: Enter the jurisdiction's name, mailing address, and phone number. Note: Warrants will be mailed to the address shown on the Grantee's Standard Agreement and not the address shown on the above heading.

Contact, title, organization, phone number: Enter the name, and other information requested, of the person to contact regarding questions on the completed FAR.

Grant No: Enter the grant number shown on the Standard Agreement.

Grant Amend. #: If the grant has been amended, please enter the number of the last amendment. Show N/A (not applicable) if there are no amendments to the grant.

Start and Expiration Date: Enter the start date of the grant, located on the bottom right corner of the Standard Agreement, and the date the grant expires.

Check the appropriate box if it applies:

- **Final FAR** - A **final** FAR is required within 30 days after the expiration date of the grant. Sections I through V of the report must be completed.
- **Closeout Report** – A fully completed FAR, Sections I through V and the Accomplishment Report (page 3 of the FAR), will be used as the **closeout report**.

The completed report is due within 90 days after the expiration date of the grant. The closeout certification letter found on Attachment B must be completed and attached to the closeout FAR.

- **Final and Closeout as one-** One report can be submitted with both Final and Closeout boxes checked if all the information for the grant close out is available within 30 days after expiration.

SECTION I – CASH STATUS

Report Period would typically be the first day of the quarter to the last day of the quarter. Exceptions would be the first report, which would be from the start day of the grant to the end of the quarter, and the final report, which might have an expiration date before the end of the quarter.

SECTION I - Part A – Requested Cash Information

See Chapter 9 for detailed instructions on how to fill out the cash status section, columns 1 through 7.

SECTION I – Part B – Accrued Expenditures & Milestones

Column (1) Program Activities: List the grant activities, as shown on the first page of the Standard Agreement.

Column (2) HUD Code: List the HUD Code for each activity, which is shown next to the activity on the first page of the Standard Agreement. Contact your Program Rep. If the HUD Code is missing.

Column (3) Budgeted Amount: List the amount budgeted for each activity, as shown on the first page of the Standard Agreement.

Column (4) Previously Reported: Enter the total accrued expenditures reported on column 6 of the prior report. The prior report's ending total must **always** be the new report's beginning balance. **Corrections** to previously reported accrued expenditures will be reported in column 5.

Column (5) Expenditures This Quarter: Enter the amount of accrued expenditures incurred for each activity during the report period. Corrections to previously reported expenditures will be reported here and could result in a negative amount being reported. Include an explanation in the comments section when a correction is reported. Federal regulations require CDBG expenditures be reported on an accrual basis.

Column (6) Total Accrued Expenditures: Enter the sum of columns 4 & 5. This amount represents the cumulative total CDBG accrued expenditures for each activity. Be

advised that the total accrued expenditures for each activity should be equal to or more than the reported cash disbursed for each activity.

Column (7) Balance: Enter the difference of columns 3 & 6. This amount represents the CDBG grant funds remaining for future expenditures and commitment.

Column (8) Percent: Enter the percentage of accrued expenditures incurred for each activity by dividing column 6 by column 3.

Section II - Expenditure of Match/Leverage & Program Income

Section II of the FAR captures the expenditures of other funds committed to the grant. The match/leverage committed to the grant is considered a contractual obligation to the jurisdictions and will be a performance issue if not expended.

Program income (PI) used for any of the same activities as the open grant must be reported in Section II. For example, PI spent through an RLA that has the same purpose and target area as one of the activities under the open grant, or PI expended on the same project as the open grant.

Program income used to fund an activity that has been added to an open grant will also be reported in Section II. Before expending program income on this additional activity, be sure the required documentation has been submitted and approved by the Department (e.g., activity description, resolution, NEPA environmental review and clearance, etc.).

Column (1) Program Activities: List the grant activities, as shown on the first page of the Standard Agreement that the match/leverage will be used for.

Column (2) Funding Source: List the source of funding, as shown in Section C of the Standard Agreement.

Column (3) Total Budget: List the amount budgeted for each funding source, as shown in Section C of the Standard Agreement.

Column (4) Previously Reported: Enter the expenditures to date reported on column 6 of the prior report. The prior report's ending total must **always** be the new report's beginning balance. Corrections to previously reported expenditures will be reported on column 5 and may result in negative amounts being reported. Include an explanation in the comments section when a correction is reported.

Column (5) Expenditures This Quarter: Enter the amount expended for each activity during the report period. Also, include any corrections to previously reported expenditures.

Column (6) Expenditures to Date: Enter the sum of columns 4 & 5. The total represents the expenditures as of the end of the report period for each activity listed.

Column (7) Percent Expended: Enter the percentage of grant funds expended for each activity by dividing column 6 by column 3.

SECTION III - RESIDENTIAL REHABILITATION LOAN ACCOUNT – Escrow Account

This section will only be completed by grantees that are administering a **residential rehabilitation** grant and are drawing down grant funds on an **advance basis**. CDBG funds advanced to a grantee for a residential rehabilitation activity must be deposited into an **escrow account**, as described below.

Federal regulation 24 CFR Part 570.511 allows grantees to request grant funds for **immediate deposit** into an **escrow account** for use in funding loans and grants for the rehabilitation of privately owned residential property. The Department has determined that a “**grantee controlled account**”, which is an account established for a specific purpose, will meet the intent of the regulation if the required limitations are established to control the source and use of the funds in the account.

The limitations to be applied are as follows:

- Limited to loans and grants for the rehabilitation of primarily residential property containing no more than four dwelling units.
- Deposits to the escrow account shall not be made until the contract between the property owner and the rehabilitation contractor has been executed.
- The contract between the property owner and the rehabilitation contractor must specify that payments to the contractor shall be made through the escrow account.
- The grant funds requested for housing rehabilitation shall be deposited into one **interest bearing** account with a financial institution. Separate bank accounts shall not be established for individual loans and grants.
- The amount of funds deposited into an escrow account shall be limited to the amount expected to be disbursed within **22 working days** (federal regulations stipulate 10 working days) from the date of deposit.
- Funds in the escrow account exceeding the 22 days cash needs, for whatever reason, must be immediately transferred to the program account.
- Funds deposited into an escrow account shall be used only to pay the actual costs of rehabilitation incurred by the owner under the contract with a private contractor. Other eligible rehabilitation costs shall be paid under normal CDBG payment procedures.
- The interest earned on escrow accounts, less any service charges for the account, shall be returned to the Department at least quarterly. Please refer to Section IV.

SECTION IV - INTEREST REVENUE EARNED ON ADVANCES

Federal regulations require the interest revenue earned on federal funds be returned at least quarterly. The first \$100 earned on **all** federal funds, not only interest revenue from CDBG funds, can be kept for the jurisdiction's administrative costs. The interest revenue earned on CDBG funds will be submitted to the Department at least quarterly.

Interest revenue earned on lump sum drawdowns may not have to be returned to the Department and is discussed in Section V.

SECTION V - LUMP SUM REPORT

Federal regulations, 24 CFR 570.513 allows grantees to obtain funds for a Housing Rehabilitation activity by means of a lump sum draw down payment option. General administration and activity delivery portions of the CDBG grant must be requested using the regular advance or reimbursement methods discussed in Section I.

Certain conditions apply to lump sum draw down cash requests:

- You must obtain prior Department approval of the lump sum draw down agreement with the local financial institution.
- Use the standard cash request method to request the funds, Section I, but a lump sum report, Section V, must also be completed.
- Funds must be deposited immediately into the lump sum account.
- The entire amount of the lump sum amount stipulated in the lump sum draw down agreement with the financial institution must be drawn down in one cash request.
- The first housing rehabilitation loan has to be approved within 45 days of the lump sum deposit into the local financial institution.
- A substantial amount of the deposit must be expended within 180 days of the deposit.

Substantial Disbursement
2 year agreement - 25% of funds disbursed
18 month agreement - 38% of funds disbursed
1 year agreement - 50% of funds disbursed

Part A - Lump Sum Draw Down Agreement Information

Provide the information requested. The requested information will be used to verify the lump sum requirements are being met. Chapter 16 of the CDBG Grant Management Manual discusses the lump-sum draw down in detail.

Part B - Fund Reconciliation

Provide the information requested. The requested information summarizes the financial status of the lump sum account as of the end of the report period and reports the amount available for additional housing rehabilitation loans. Interest earned on lump sum deposits and payments on loans made from such deposits are program income and, during the period of the agreement, shall be used for rehabilitation loans. The program income earned will be used before grant funds are expended.

Part C - Financial Institution Contribution

Check one or more benefits provided by the financial institution.

- BMIR is the commitment of private funds at below market interest rate, at higher than normal risk, or with longer than normal repayment periods.
- Admin. Services is the provision of administrative services in support of the rehabilitation program at no cost or at lower than actual cost.
- Bank Contribution is the leverage of the deposited funds so that private funds are committed for loans in the rehabilitation program in an amount substantially in excess of the amount of the lump sum deposit. Report the amount committed by the bank.

SECTION VI - COMMENTS

Include all requested explanations in this section. Include any explanations or comments to clarify information submitted.

GRANTEE CERTIFICATION

The report must be signed by an authorized member of the grantee's staff. The reports cannot be signed by a contractor.

FAR Page 3 - Narrative Accomplishments

The purpose of this section is to provide basic information on the progress of program implementation and benefit for quarterly reporting into the Integrated Disbursement Information System (IDIS) as required by HUD.

By contract activity (e.g., community facilities, housing rehabilitation, business assistance), provide information regarding the status of funded activities.

Note: For General Administration and Planning and Technical Assistance activities complete Contract Activity and Accomplishment Narrative fields only.

Program Activities and HUD Code - Enter the activity type (e.g., Housing Rehabilitation, Community Facilities, Business Assistance, etc.) and corresponding HUD Matrix Code.

Activity Location and Zip Code - Enter the name of the area(s) where the actual activity is taking place (i.e., city, county, cdp, etc.) and the corresponding zip code(s).

Accomplishment Type- Choose the type of accomplishment that applies to this activity (e.g., Public Service = Persons; Housing Rehabilitation = Households; Business Assistance = Jobs, etc.)

Proposed - Enter the proposed number of accomplishments for this activity (e.g., Housing Rehabilitation = 5 households rehabbed, Business Assistance = 10 Jobs Created/Retained, etc.)

Actual - Enter the actual number of accomplishments for this activity for the period covered by this report.

Actual TIG - Enter the actual number of accomplishments benefiting TIG persons/households for the period covered by this report.

Total to Date - Enter the actual number of accomplishments for this activity since the effective date of the grant.

Total TIG to Date - Enter the actual number of accomplishments benefiting TIG persons/households since the effective date of the grant.

Accomplishment Narrative - Enter a brief description of progress made in the activity during the period covered by this report; specify significant changes, problems encountered or milestones met (e.g., Construction of Senior Center underway, or environmental clearance obtained - construction to begin within 30 days, or construction delayed due to flooding, etc.)